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This single chapter on marketing U.S. products and services is excerpted from the 2005 (Fall 2004 Update) Country Commercial Guide for Morocco. The full text of the report is also available on this website.

CHAPTER 4: MARKETING U.S. PRODUCTS AND SERVICES

Distribution and Sales Channels:

Casablanca is the primary point of entry for foreign manufactured goods for direct distribution to the public, wholesalers, distributors and retailers. In addition, ferry services between Morocco, Spain and France do allow goods to be imported and exported by truck. There is also a major port construction project, the Tanger-Med port, which is well underway 15 km from Tangier in Northern Morocco that is expected to absorb a far higher percentage of imports from Europe within the next few years.

Use of Agents/Distributors; Finding a Partner:

Foreign manufacturers and exporters are represented in the market either through their own branch offices or through authorized agents and distributors. Distributors customarily provide technical support to end-users and often have contractual arrangements with their principals under which the local importers provide in-bond warehousing. Although it is legal for an American corporation to be an independent distributor, local agents and distributors are recommended to assist the U.S. firm with documentation in the French language and with local customs and know-how. Some U.S. firms supply Morocco indirectly through regional distribution centers in Europe.

Although this helps in terms of language and shipping, often the products go through so many distribution channels that the item ceases to be competitive in the Moroccan market. As always, volume is the key. Large-scale stores based on the "Costco" model are a relatively new phenomenon and a good source for direct distribution of consumer products. The German-owned Metro stores are in Casablanca, Rabat, Fes and Agadir.

More traditional European style hyper-marches such as Marjane are also present in major cities and provide good markets for Western food and household supplies. A Moroccan hyper-marche Assouak As Salam is also present in Rabat, Marrakech, and Kenitra and the first ever "Home Depot-style" hardware store Bricorama has opened in Rabat.

The Foreign Commercial Service at the American Consulate in Casablanca provides two services to help identify agents, distributors and/or potential partners on a cost recovery basis. The International Partner Search (IPS) is initiated through a district office of the Department of Commerce. FCS in Morocco also operates a "Gold Key Service", which provides U.S. business representatives with one-on-one meetings with a series of potential partners, agents or distributors. For the address and phone number of the nearest Department of Commerce domestic office, call 1-800-USA-TRADE (1-800-872-8723).

Franchising:

Close to 90 foreign franchises successfully operate in the sectors of fast food; clothing, furniture, cosmetics, office cleaning and auto repair since the first Pizza Hut was established in 1992. Franchise

MARKETING U.S. PRODUCTS AND SERVICES

holders are attracted to the marketing image and financial security of well-known American products and brands such as Pepsi Cola, McDonald's, Dominos Pizza, KFC, Haegen Daz, Budget, New Balance, FutureKids, Office 1 Superstore and Midas. The success of franchising stems from an expanding base of young entrepreneurs many of whom are American educated and have the financial means to develop master franchises.

Direct Marketing:

Marketing services and advertising agencies are increasingly focusing on direct marketing in response to saturation in the traditional media. Common forms in Morocco are point-of-sale promotions, games, moving billboards, direct mail and door-to-door sales. Avon and Oriflame are active in door-to-door cosmetic sales. To date, there is only a small emerging market focused on Internet sales as well as thru cell phones.

Joint Ventures/Licensing:

Moroccans are increasingly interested in joint venture business opportunities with American partners as a way to modernize their factories or license a technology. Beginning in the 60's, the manufacturing of U.S. products has typically started through joint ventures or acquisition of a local Moroccan firm. The best examples are, Gillette, Coca Cola Export Corp., Procter & Gamble, Colgate Palmolive Maroc, Clark Gum, Fruit of the Loom, Jacob Delafon (Kohler), Johnson & Johnson, Pfizer Laboratories, Pepsi Cola, Simmons Maroc, Kraft Foods and Steelcase. Morocco also provides a good geographic location for exporting to the EU and the rest of Africa.

Steps To Establishing an Office:

According to the American Chamber of Commerce, the steps to opening an office in Morocco have been greatly centralized and simplified over the last year. Morocco's sixteen new Regional Investment Centers are the governmental headquarters for the entire registration process. Within one week of providing the center with a completed application, a passport or ID, and a copy if not personally present, and \$16 (150 dirhams), a certificate from the Regional Investment Center will be processed. If the completed certificate is not picked up after one month it automatically becomes void and the process must begin again. Upon receipt of the certificate and after presenting a proof of patent, a registration receipt from the Registre du Commerce (\$37 or 350 dirhams), a fiscal statement and a completed application to the social security savings bank (Caisse de sécurité sociale), the business can be established. All businesses are subject to inspection by the Regional Investment Centers.

Selling Factors/Techniques:

Most local distributors of imported merchandise expect their suppliers to provide them with substantial advertising and promotional support, particularly when introducing a new product or brand name. All sales promotional material and technical documentation should be in French. Clear and simple French-language operating instructions are necessary. Illustrations helping the consumers and sales force are recommended. U.S. firms often need to train local staff, provide full documentation of products in French, ensure an adequate supply of spare parts, and cooperate in advertising and marketing. Direct mail and text messaging is becoming very popular and can aid this process.

Advertising and Trade Promotion:

There are several Moroccan advertising agencies that operate mainly on a small scale, thus reflecting the undeveloped state of the Moroccan advertising industry. However, McCann Erickson and a joint operation of Leo Burnett and Darcey Masius Benton & Bowles have offices that provide state-of-the-art resources for new product launches. TV has overtaken the print media as the most prevalent vehicle for advertising, generating more than 70% of advertising returns. Food, hygiene and beverages are the most

MARKETING U.S. PRODUCTS AND SERVICES

common products advertised on television, with multinationals such as Procter & Gamble, Pepsi Cola, Gillette and Coca-Cola among the biggest advertisers.

Newspapers and periodicals continue to provide advertising space for a variety of products and services, but verification of subscriptions and circulation is difficult. The number and importance of billboards advertising anything from state of the art cell phones to coffee has dramatically increased in the last few years. More and more small and medium-sized companies are also turning to the Internet as a means of reaching consumers. The number of subscribers is increasing slowly with about 60,000 subscribers and 700,000 users who frequented Morocco's 2000 Internet cafes in 2002. Many companies have established web pages, finding this a very economical way to reach a wide range of consumers.

Pricing Product:

The market freely determines commodity prices without government involvement with the exception of staple commodities such as gasoline, vegetable oil, sugar and subsidized flour. In June 2003, Morocco implemented a new tariff system for grains (barley, wheat, and corn) that resulted in a significant increase in tariffs for bread wheat.

The new tariffs supplemented the October 1998 system that is still applicable for oilseeds and sugar. Any legislation that threatens to raise the price of bread causes great public outcry. As a result, the government managed to raise the price of bread by only 10 centimes in 2004.

Sales Service/Customer Support:

It is incumbent upon U.S. firms to supply their local distributor with customer and employee documentation in French. Training in the U.S. or in Morocco by U.S. headquarters representatives of management, sales and service personnel is important and can do much to support the relationship and build product loyalty. Sales service and product guarantees are also extremely important along with simple maintenance and care instructions for the consumer. As products improve in quality and customers become increasingly price conscious, emphasis on simple care and maintenance are critical techniques that illustrate the longevity of products that receive proper care. Unlike most Western countries, Morocco lacks the equivalent of a Better Business Bureau and thus consumer feedback is sometimes difficult to acquire.

Selling to the Government:

Selling to the Moroccan government is handled principally through government tenders and on rare occasions through mutual agreement or private contract. In the latter case, the government applies directly to firms, which have been traditional suppliers through their representatives in Morocco. Tenders are published in newspapers and announcements are sent to Embassies. Each ministry issues its own tenders. Deadlines range from 30 to 90 days. The bidding documents are published in French and replies must be in French using French or European standards (i.e. metric, 50/60 htz). FCS Morocco transmits notice of Moroccan government tenders likely to be of interest to U.S. companies to the U.S. Department of Commerce for listing in the Commerce Business Daily through the Economic Bulletin Board (EBB) on E-menu. Interested U.S. firms can access this information at www.export.gov.

In December 1998, the Government Council approved a decree overhauling the public procurement system to enhance transparency, accountability and competitiveness in procurement. In particular, the decree mandates public bid-opening sessions, substantially narrows the scope of restricted bidding or sole-sourcing, extends the period of bid submissions, and provides for mandatory special controls and audits for contracts valued at over \$500,000. The decree entered into effect in summer 1999, and has reinforced the trend away from direct negotiation and toward open tenders in public procurement.

MARKETING U.S. PRODUCTS AND SERVICES

Furthermore, the FTA has a government procurement chapter that requires transparency and fairness in all transactions.

Need for a Local Attorney:

Although no American law firm has a practice in Morocco yet, there are a number of English, French and German firms as well as Moroccan firms with strong international expertise. New-to-market U.S. firms are strongly advised to obtain the services of a law firm or the legal department of one of the multinational accounting or consulting firms. A complete list of recognized Moroccan law firms is available through the U.S. Consulate General in Casablanca.

In light of the U.S.-Moroccan FTA, the government has made judicial reform a top priority within its overall program. To strengthen the ability of the judicial system to handle business-related cases, six new commercial courts and three commercial courts of appeal have been established. In order to ensure the effective operation of the new commercial court network, the government has also begun work on a legal guide for commercial court judges. A Casablanca Commercial Arbitration Center (CCAC) has been established as a pilot vehicle. Although the CCAC is a non-governmental body, the government wishes to support its activities and the broad concept of recourse to commercial arbitration; it has therefore completed an action plan and timetable for the preparation and adoption of a consolidated Commercial Arbitration Code that will bring together the numerous provisions relating to arbitration that are currently scattered in Moroccan laws. In the meantime, by training judges in commercial law and offering professional counseling to those with questions about business law, the CCAC has successfully expedited many cases.

Performing due diligence/checking bona fides of banks/agents/customers:

All potential investors in Morocco, exporters of goods and service providers are strongly recommended to perform due diligence on and research the bona fides of their Moroccan agents, partners and customers (when extending credit). American firms, especially those with no previous Moroccan experience, should seriously consider the U.S. Department of Commerce "International Company Profile" (ICP) service prior to signing any agreements with new partners. Initiated usually through a U.S. Department of Commerce District Office for a fee, a U.S. exporter can obtain information on the reputation, reliability and financial status of a potential partner in a confidential report, along with a recommendation from commercial officers at the U.S. Embassy as to the suitability of the company as a trading partner. Contact: call 1-800-USA-TRADE, or visit the website at www.export.gov.

Please Note: Country Commercial Guides are available to U.S. exporters on the website: <http://www.export.gov>. They can be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

U.S. exporters seeking further recommendations for trade promotion opportunities in Morocco and country-specific commercial information may also wish to visit the website of the U.S. Commercial Service in Morocco at www.buyusa.gov/morocco.

Travelers may wish to obtain the most recent travel advisory from the U.S. Department of State at www.state.gov

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** of the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to one of the following websites: www.usatrade.gov or www.tradeinfo.doc.gov

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.